

CHARITIES SERVICES

Ngā Ratonga Kaupapa Atawhai



NGĀ RATONGA KAUPAPA ATAWHAI AROTAKE Ā-TAU CHARITIES SERVICES ANNUAL REVIEW 2022/2023



Te Tari Taiwhenua
Internal Affairs



Te Kāwanatanga
o Aotearoa
New Zealand Government



Ngā mihi nui ki a koutou!

Charities Services would like to thank all charities that contributed photos to this Annual Review.

Cover photo: Tauranga Regional Multicultural Council Incorporated

Photos left to right: St John's, Kokiri Marae Keriana Olsen Trust, Taskforce Kiwi, St John's, Age Concern Nelson Tasman, Animal Rehabilitation Up To Scratch Charitable Trust Board, Nukuhau Marae, Give a Kid a Blanket Charitable Trust Board, Pacific Dance New Zealand

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He kōrero mai a Charlotte

Message from Charlotte

Whakapūpūtia mai ō mānuka, kia kore ai e whati.

Cluster the branches of the mānuka, so they will not break.

Welcome to the 2022/2023 annual review of Ngā Ratonga Kaupapa Atawhai, Charities Services.

Kia ora koutou, kia orāna, sat sri akaal, namaste, tālofa lava, mālō e lelei, dājīā hǎo, as-salāmu ‘alaykum.

It is my great privilege to present this year's annual review. As you'll see throughout, Aotearoa New Zealand's charitable sector is vibrant and diverse. There are over 28,800 registered charities in this country, and the people involved in those charities volunteer over 1.6 million hours per week of their precious time to support their communities. This speaks to the impact volunteers have on charities delivering their purposes across Aotearoa.

Over the last year the charitable sector has demonstrated its role as the backbone of our communities, playing a key role in the nation's recovery after the North Island flooding and Cyclone Gabrielle. I would like to express my gratitude for your continued generosity and selfless dedication to supporting your local communities.



Charlotte Stanley
Kaiwhakahaere Matua, General Manager

In addition to acknowledging the incredible mahi of the sector, this year's annual review outlines a few of the achievements we've made in our drive to be a responsive and supportive regulator.

We're fortunate to work with and educate charities, ensuring they get the support they need. Over the last year we've met with over 190 different organisations through our online one-on-one clinics. Running a charity can be challenging, and we know how important it is for charities to get one-on-one support and advice about their rules, financial reporting, and governance matters.

To help us achieve regulatory excellence, our Mātaītanga o ā Mua (Future of Investigations) work plan has come to an end. We have implemented efficiencies to our investigations that ensure we build trust and confidence in the sector. The team continues to develop processes that make things easier for the sector and ensure people have access to the support they need, in the ways that work best for them.

The past year saw changes to the Charities Act 2005, the legislation that governs the charitable sector in Aotearoa New Zealand. The Charities Amendment Act received Royal Assent on 5 July 2023. The Social Services and Community Select Committee received submissions from 95 interested groups and individuals, and heard oral evidence from 28 submitters. I was pleased to see lots of engagement in the select committee process and I extend my thanks to those who provided submissions.

A core priority for our team over the next year is helping you make sense of what the changes mean for your charity. These include providing support, guidance and structure to empower officers of charities to govern with confidence, and ensuring that access to and transparency of the decision making process is clear.

This year also saw the introduction of new reporting standards for Tier 3 and 4 charities. In May 2023, the External Reporting Board (XRB) published new standards to make it easier for these charities to report. These changes are reflected in our form consultation, and we hope to include additional changes to our forms that make reporting easier for Tier 3 and 4 charities.

All of this has also meant changes to the forms charities use to register, report, and update their details. As we come into the latter half of 2023, we are consulting on those proposed changes with the whole sector. We began that process with a series of hui with iwi and hapū groups to design new accumulated funds and self-identification questions to be included in the forms. I would like to thank all those who we met with to design questions for Kaupapa Māori charities. The feedback we received was hugely helpful for the next phase of consultation.

Over the next year we will be implementing the Act changes. We will work pragmatically to ensure we are able to meet the diverse needs of the sector.

Another major focus for us is a new regulatory strategy to guide our path forward towards regulatory excellence and our vision that our work contributes to a well-governed, transparent, and thriving charitable sector with strong public support.

Finally on behalf of Ngā Ratonga Kaupapa Atawhai, Charities Services, I want to acknowledge and thank you for your dedication and hard mahi. Your efforts play a vital role in the resilience, social cohesion and growth of our nation.

Nā Charlotte Stanley



Kaiwhakahaere Matua, General Manager
Ngā Ratonga Kaupapa Atawhai, Charities Services



Mō mātou

About us



Photo: Charities Services Team

Ngā Ratonga Kaupapa Atawhai, Charities Services, is part of Te Tari Taiwhenua, the Department of Internal Affairs and administers the Charities Act 2005 (the Act).

We strive to be a modern, responsive, risk-based regulator focused on promoting public trust and confidence in the charitable sector. Our role includes registering and monitoring charities and processing annual returns. We educate and encourage good governance and management practices by providing educational resources, advice and support.

We maintain the Charities Register containing information on over 28,800 registered charities. The Charities Register is the public record of registered charities that operate under the Act.

"Our vision is that our work contributes to a well-governed, transparent and thriving charitable sector that has strong public support"

Tūtaki ki te rōpū

Meet the team

Charities Services is made up of about 38 staff members who work across two main business groups: the Regulatory Group and the Engagement and Business Improvement Group. We also have a specialist group of advisors, accountants and analysts who support the whole of Charities Services. We are supported by other teams across the Department, including Hāpai Hapori Community Operations, Legal, Information Technology, Te Waka Aukaha, Services and Access, Finance, Human Resources, Pou Ārahi, Operations Group and Communications.

Engagement and Business Improvement Group

This group supports Charities Services' programme of stakeholder engagement, the development of resources, capability initiatives and system enhancements.

CAPABILITY TEAM

This is our education team that ensures our information for the charitable sector is comprehensive, fit-for-purpose and accessible. The team delivers sector engagement events, communications and creates practical resources to assist charities to meet their obligations. This includes running webinars, workshops, and providing printed and online guidance materials.

CHARITIES SUPPORT TEAM

This team provides administrative support and answers thousands of queries from charities. The team is also responsible for processing annual returns and removing charities from the Register when they fail to meet their reporting obligations.

Regulatory Group

The Regulatory Group is responsible for supporting charities to register, and monitoring and inquiring into charities or their officers where there is evidence of serious wrongdoing or breaches of the Act.

REGISTRATION TEAM

This team of analysts assists charities with their applications, and assesses the purposes, activities and governing documents of entities applying for registration to determine whether they meet, or continue to meet, the requirements of the Act.

INVESTIGATIONS TEAM

This team manages complaints and carries out investigations into charities and their officers that may have been involved in serious wrongdoing and other significant breaches of the Act.



**38 kaimahi
(staff) supporting
over 28,800
registered charities
in Aotearoa New
Zealand**

Tūtaki mai ki a Te Rātā Atawhai

Meet Te Rātā Atawhai

We support the work of Te Rātā Atawhai, the independent Charities Registration Board (the Board). The role of the Board is to maintain the integrity of the Charities Register by ensuring that entities on the Charities Register qualify for registration. Under the Act, the Board is responsible for registering and de-registering charities. In practice, most decisions are made by Charities Services acting under formal delegation and guidance from the Board. However, the Board always deals with more complex or novel cases and those where organisations disagree with Charities Services' decisions.



Gwendoline Keel
Board Chair

Gwen is an experienced commercial lawyer and not-for-profit governance and management specialist. She was appointed to the Board in December 2019 for a three year period and appointed to chair the Board in September 2021. After a long career in private practice, she is presently General Manager Governance and Legal for Te Whakakitenga o Waikato Inc, the post-settlement governance entity for the Waikato iwi, commonly known as Waikato-Tainui. The Waikato iwi comprises more than 89,000 registered members connected to 33 hapuu and represented by 68 marae.

Throughout her career Gwen has acquired significant experience in the charitable and not-for-profit sector, acting for many "household name" charities and national sporting codes. She has also been consistently involved in the charitable sector as a director, committee member and volunteer. Gwen has a particular interest in the economic development of Kaupapa Maaori charities, information governance and charitable law reform. Gwen is a member of the Institute of Directors.



Dr Bev Gatenby

Bev currently works as a consultant, a facilitator and a coach, largely in the community and government sectors. She has worked with many charities, often assisting with their governance, strategy and service development. She also coaches managers and chairs in the philanthropic and community sectors and local government.

Bev was the Chief Executive of Trust Waikato between 2006 and 2016, and has held a range of local, regional and national governance roles. She was originally appointed to the Board in July 2018 and was re-appointed for a further three-year term in September 2021.



Loretta Lovell

Loretta is a lawyer, independent environmental commissioner and professional director. For over 20 years she has specialised in commercial, energy and resource management law. She has advised and also sat on the boards of several Iwi Māori and community organisations, helping them meet their social and economic aspirations. She holds governance positions on Crown entities and is a member of a number of advisory panels to public sector agencies. Loretta was appointed to the Board in September 2021 for a three-year period.

Ngā pira ki ngā whakatauranga rēhita

Appeals of registration decisions

When making decisions to register or deregister charities, the Board applies the law based on the Charities Act and many years of judgments. If an entity disagrees with a Board decision, it can appeal that decision to the High Court. If an entity appeals, the Board does not get involved with the Court proceedings. In these cases, the Attorney General often takes on the traditional role of ‘protector of charities.’

Court decisions are very important because they shape the meaning of ‘charitable purpose.’ All previous Court decisions are available to read on Charities Services’ website under ‘legal decisions.’

Under the changes to the Charities Act, from 5 July 2024 people who disagree with decisions made by the Board or Charities Services will be able to appeal those to the Taxation Review Authority. Further appeal will then be available through the High Court.



Photo: The Mixit Charitable Trust

Ngā whakahounga ki te Charities Act

Amendments to the Charities Act

In 2018, the Government commissioned a review of the Charities Act 2005, focused on ensuring it was fit-for-purpose and met the needs of New Zealand's diverse charitable sector. Following a pause in the work due to the COVID-19 response, the Policy Group in the Department of Internal Affairs resumed work on the review under the direction of Hon Priyanca Radhakrishnan, Minister for the Community and Voluntary Sector.

The work led to the introduction of the Charities Amendment Bill on 21 September 2022. Following consultation and submissions from the sector, changes were made to the resulting Charities Amendment Act 2023 (the Amendment Act), which received Royal Assent on 5 July 2023.

The provisions of the Amendment Act amend the Charities Act 2005 in three stages, with the final amendments becoming law on 5 July 2024.

What have we done?

Charities Services' has launched the Charities Act Hub on our website. The Hub links to guidance we've published to help charities understand their new requirements. We'll also link any future support and resources there for you to read.

Visit our Charities Act Hub

www.charities.govt.nz/charities-act-hub 

In August 2023, we opened consultation to the sector on proposed changes to the forms they use to register, report and update their details with us. We'll consider all the feedback we get and launch updated forms in April 2024.

One of the new questions asks charities about their reasons for accumulating funds. We partnered with iwi to design how this information will be collected, along with a question about identification as a Kaupapa Māori charity. We are grateful to those who engaged with us to help design these questions.

We also hosted online sessions where we shared information about the Act changes and form consultation. It was great meeting with members of the sector. We received lots of feedback that will help us improve information in our forms, website, and the Register.

What are we doing?

We continue to work on guidance and resources for charities about the upcoming changes. We will update the Charities Act Hub on our website with information about the changes and when they will affect charities. We will also be publishing information in our newsletters and Facebook page about the changes and what to expect when the last set of changes take effect on 5 July 2024.

We are working through the feedback you gave us on the forms. We would like to thank everyone for your submissions and comments.

Te Aka Taiwhenua

Māori strategic framework

Te Aka Taiwhenua is our take (plan) to ensure our services are fit for purpose and are appropriately responsive to whānau, hapū, iwi and Māori charities. Its focus is on improving services for Māori through building āheitanga (capability), whakaaritanga (visibility), whanaungatanga (relationships), whakatika ratonga (service improvement) and hautūtanga (leadership) at Charities Services.

Ngā Ratonga Kaupapa Atawhai (Charities Services) is fully committed to upholding our responsibilities to Te Tiriti o Waitangi as part of the Public Service. One area we are working towards is internal capability such as the utilisation of te reo Māori both around the office and in all of our communication. We're all at different points in our learning journeys, but we continue to upskill our staff in Te Reo and Te Ao Māori knowledge so we can engage effectively with tangata whenua.

Te tautoko i ngā kaupapa atawhai e aro ana ki te kaupapa Māori

Supporting charities with a Kaupapa Māori focus

When supporting Māori, we work closely with Pou Ārahi, a unit within the Department that leads the implementation of Te Aka Taiwhenua and Te Atamira Taiwhenua, the Department's kaumātua advisory group.

One of the proposed form changes is a self-identification question for charities that identify as Kaupapa Māori. There are a diverse range of Kaupapa Māori charities on the Register, some operating locally, serving the needs of whānau, hapū and iwi in their community, while others have a national focus. The question is intended to help identify Kaupapa Māori charities and provide more effective targeted resources to them to support their mahi, and therefore their communities.



Photo: Nukuhau Marae

Tō mātou whakakitenga me te kaupapa

Our vision and focus areas



Our vision is that:

Our work contributes to a well-governed, transparent and thriving charitable sector with strong public support



Our primary purposes are to:

Promote public trust and confidence in the charitable sector



Encourage and promote the effective use of charitable resources

To achieve our goals, we will focus on ensuring:

- ▶ People in Aotearoa New Zealand have trust and confidence in the charitable sector
- ▶ Good governance in the charitable sector is encouraged and supported
- ▶ Iwi, hapū and communities across New Zealand are safe, resilient and thriving

We are led by our branch priorities to:

- ▶ Improve equity of access to our services
- ▶ Ensure statutory, regulatory and service excellence every day
- ▶ Support iwi, hapū and communities to lead their own development
- ▶ Build on our strength to create a nimble, resilient and engaged workforce
- ▶ Create standout cultural capability in honouring the Māori crown relationship

Tō mātou whāinga waeture me ngā whakaarotau

Our regulatory approach

Our regulatory approach is led by our legislative mandate, guided by the directions of the independent Charities Registration Board, case law, best regulatory practice and engagement with the charitable sector.

We are currently undertaking work to develop a new regulatory strategy to guide our path forward towards regulatory excellence and our vision that our work contributes to a well-governed, transparent and thriving charitable sector with strong public support.



In fulfilling our functions, we aim to take a modern, responsive, risk-based approach

Before registering

Charities Services provides initial advice and support to groups wishing to register as charities. This advice includes helping with the best legal form for their group (e.g. a trust, incorporated society, or company), and providing information on the benefits and obligations of registration.

- I see people in need in my community and I want to help.
- How do I set up a charity?



CHARITIES SERVICES

Ngā Ratonga Kaupapa Atawhai

OUR VISION

Our work contributes to a well governed, transparent and thriving charitable sector with strong public support.

OUR LEGISLATION

The Charities Act – promoting public trust and confidence in the charities sector, encouraging the effective use of charitable resources.

Protecting the sector

- How do I report my concerns about a charity?
- A fake charity is seeking donations in my area.



Chairites Services Investigates:

- breaches of the Charities Act
- serious wrongdoing connected with charities
- charities no longer qualified for registration

We focus on the most severe risks to public trust and confidence in the charitable sector. Most of our investigations involve us working with charities to improve their governance. In serious cases, we can issue warning notices, or recommend to Te Rātā Atawhai that a charity is deregistered. We work closely with other regulators, when they are better placed to address the issues raised (e.g. SFO for serious fraud or WorkSafe for unsafe employment practices).

231	concerns addressed
38	open inquiries
7	referrals to other agencies
18	completed inquiries
0	deregistered for serious wrongdoing

On deregistration, we provide information to Inland Revenue (there are deregistration tax consequences) and the Companies Office (to ensure consistency between registers).

38 Charities Services staff across four teams support over 28,000 registered charities

TE RĀTĀ ATAWHAI THE CHARITIES REGISTRATION BOARD
Charities Services services the Board and supports it to undertake its statutory functions. The Board is independent.

- The Board registers and deregisters charities
- The Board delegates straightforward registration decisions to Charities Services

TE RĒHITA KAUPAPA ATAWHAI THE CHARITIES REGISTER
Charities Services looks after a public searchable database of all registered charities, that includes financial and non-financial information.

- How do I find out about a charity?
- I want to know how many hours volunteers provide to charities

SECTOR FINANCIAL SNAPSHOT FOR 2022/2023

\$81.18 b
Total assets

\$34.23 b
Tier 1

\$26.73 b
Tier 2

\$17.33 b
Tier 3

\$2.89 b
Tier 4

\$22.70 b
Total expenditure

\$12.13 b
Tier 1

\$7.10 b
Tier 2

\$3.11 b
Tier 3

\$360 m
Tier 4

\$24.86 b
Total income

\$12.65 b
Tier 1

\$7.81 b
Tier 2

\$3.83 b
Tier 3

\$560 m
Tier 4

Registering as a charity

Charities Services engages with groups to help them get registered. We have information on our website to support the registration process. We must ensure groups meet registration requirements, so they can advance their charitable purposes.

- What information do I need to provide to register?
- Does our rules document meet requirements?

1,472	registration decisions
1,477	applications received
1,270	applications approved
202	applications withdrawn
0	applications declined

Community groups incorporate through MBIE - Companies Office.



Education & capability building

Charities Services aims to build sector capability. We develop resources, deliver engagement events, and communicate regularly to ensure charities understand their obligations.

Website views	639,689
Newsletter views	126,119
Blog views	32,521
Social media reach	9,681
Webinar Views	5,762

We provide information to Inland Revenue who administer tax benefits for registered charities.



- What's my role as an officer?
- How do I run my charity well?



Staying registered

- I need to update my rules, how do I do that?
- What reporting do I need to do to stay registered?



Charities Services works with charities to ensure they meet their obligations under the Charities Act. These obligations include filing annual returns and financial statements that meet reporting standards, and updating their key details on the Charities Register. These requirements enhance the sector's transparency and accountability.

333	charities deregistered for failure to file two or more annual returns
627	charities voluntarily deregistered

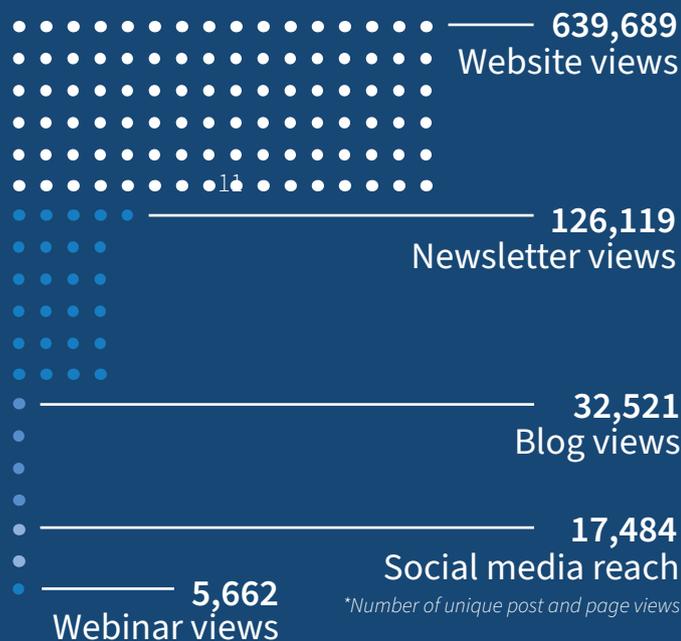
Percentage of charities applying reporting standards

100%	100%	97%	61%
Tier 1	Tier 2	Tier 3	Tier 4

Ngā tatauranga o tō mātou tau

Our year in numbers

Online presence



Supporting charities

17,355 Support queries responded to

1,226 Changes made to charities' details

53 Official Information Act requests responded to

Protecting the sector

Outputs	30 June 2023	30 June 2022
Concerns addressed	231	220
Open inquiries	38	14
Completed inquiries	18	35

Outcomes of completed inquiries include:

Referrals to other agencies	7	9
Officer disqualification	0	0
Voluntary deregistration	1	1
Deregistered for serious wrongdoing	0	0

Our spend

Outputs	30 June 2023	30 June 2022
Operating costs	\$16,806	\$91,131
Overhead costs	\$2,500,038	\$3,340,438
Legal costs	\$85,750	\$7,454
Systems costs	\$717,104	\$329,222
Board costs	\$27,057	\$21,324
Staff costs	\$3,155,991	\$2,968,487
Events costs	\$30,410	\$17,545

Ā mātou whakatutukinga

Our performance

Registration

Being a registered charity is voluntary in Aotearoa New Zealand. Groups must decide if being a registered charity is right for them. We provide information, resources and advice to help groups make informed decisions.

When we receive an application, we assess its eligibility against the requirements of the Act. If an application is missing essential information, or we have questions, we work with the organisation to help get their application approved where possible.

Once an organisation is registered, we support the organisation to remain registered through education focused on annual reporting and good governance.

In the last year we received 1,477 applications from organisations applying to become registered charities and we approved 1,270 applications. Being registered is not for everyone, and 202 applications were withdrawn in the last financial year by the applicant or by Charities Services as the applicant failed to respond to follow up requests for further information. The number of applications received and decisions made don't always line up. Applications received at the end the financial year will sometimes get reviewed the following financial year.

The Registration Team continues to implement our risk-based triage system, that allows us to focus our resources on high risk or complex applications and process lower risk applications more efficiently.

Deregistration

Registered charities may ask to be deregistered at any time and for any reason. For example, a charity may request deregistration if it is winding-up and will cease to exist. Other times, registered charities are at risk of deregistration for not meeting their legal obligations, such as failing to file annual returns. Before a charity is deregistered, we will always attempt to contact the charity to help them become compliant.

In the last year we deregistered 969 charities. Of those, 627 voluntarily deregistered and 342 were deregistered due to failing to file their annual returns. Charities may choose to deregister if the obligations outweigh the benefits of being registered.



REGISTRATION

1,477 Applications received

1,472 Registration decisions

1,270 Applications approved



DEREGISTRATION

969 Charities deregistered

342 Charities did not file annual returns

627 Voluntary deregistration

Te mātauranga me te whakawhitiwhiti kōrero

Education and communication

The Capability team educates charities to help them understand how to run their charity successfully, as well as their broader governance duties. We do this by providing educational content such as videos, online guides, printed resources, webinars and events. The team is also responsible for communication to the sector. We manage our social media account and produce a bi-monthly newsletter with a mailing list of over 65,000.

We run weekly one-on-one online Zoom and phone clinics to help charities with their questions on financial reporting, registration, and other queries. These continue to be well attended and rewarding, for staff and charities. When we can, we also head into the community to give presentations and attend funding forums with other sector stakeholders.

This year, we continued delivering He Rourou Atawhai (Basket of Generosity), a series of monthly evening Zoom workshops aimed at sharing information with

charities unable to attend our workshops or events during typical business hours. This year's sessions focused on registration, information and support for Māori and Pasifika charities, and grant funding for charities.

We've also released a new webinar alongside our colleagues in Hāpai Hapori, Community Operations. This webinar looked at hot tips, tools and resources to help guide charities through the grant funding process. At Charities Services we do not provide funding, however there are a number of organisations throughout Aotearoa New Zealand that provide funding support for charities, including Hāpai Hapori.

In the new year, we will continue to provide information about the Act changes, the new Tier 3 and 4 reporting standards and changes to our forms. We will keep you updated in our newsletters and on our website.



Photo: Age Concern Nelson Tasman

Te Tiaki i te rāngai

Protecting the sector

One of our functions is managing complaints and investigating serious wrongdoing and breaches of the Act connected with charities. We focus on the most harmful risks to public trust and confidence in the charitable sector.

When we receive a concern, we will assess it for its level of risk. Where there is an indication of issues under our mandate, we will carry out an initial inquiry to determine whether there is evidence of serious wrongdoing under the Act. In cases where there is evidence of serious wrongdoing that threatens public trust and confidence, our team assess the all circumstances around the matter. A investigation involves collecting further evidence to determine the scope of that activity and consider the necessary regulatory outcome. In serious cases of non-compliance, we may present information to the Board and recommend deregistration and disqualification of officers.

Following an investigation where we consider that a charity is still qualified to be registered under the Charities Act 2005, we inform the charity of the issues identified and provide guidance on how to address the issues to support ongoing compliance.

In cases where concerns are about minor issues we provide education to the charity about best practice

governance. Where the issues fit within another regulator's mandate, we refer the issues to more appropriate agencies.

Over the past year, we responded to 53 Official Information requests, addressed 231 concerns raised about charities and opened 18 case inquiries.

The team continues to improve our investigation processes, including broadening our relationships with other government agencies and refining how we focus on the most risky and harmful matters.

The Charities Support team is the first point of contact for most charities. The team responds to thousands of queries each year providing information, support and resources to charities.

In the last year the team have updated automatic reminders for registered charities, ensuring they get the right communication they need. We have updated the frequency of our communication for missing financial statements, so charities are aware if their annual return is not yet complete. This is so charities have up to date information on the Register and do not miss funding opportunities from grant funding organisations. The team supports charities through the annual return process and ensures they have the information they need.



Photo: Student Volunteer Army

Te arotake o ngā whakataunga ā-waeture

Review of regulatory decisions

As part of Charities Services' annual performance measures, our registration and investigations decisions are independently assessed. Independent assessments of our regulatory decisions are an important way to ensure transparency and improve the quality of our mahi, while delivering timely support for registered charities.

The Charities Registration Board delegates most decisions to register charities to Charities Services. An independent review checks that decisions remain consistent with the common law and provide a timely service to customers.

This year a random sample of 27 registration decisions were independently reviewed by Dr Juliet Chevalier-Watts, Associate Dean of Research and Senior Lecturer in Law at the University of Waikato. Dr Chevalier-Watts agreed that we had correctly applied the law in 96% of the decisions she assessed. The review considered the consistency and accuracy of decisions from a charities law perspective and whether decisions were made in a timely manner.

In carrying out their independent review of investigations, the Crown Solicitor and Luke Cunningham & Clere assessed three randomly selected investigations. The review found that all three investigations were carried out ethically, with appropriate planning, evidence gathering and analysis.



Photo: Taskforce Kiwi



Photo: Potahi Marae



Photo: St John's

Te hua tūmataiti: ētahi māramatanga mai te rōpū

Private benefit: insights from the team

Charities exist to provide a benefit to the public. Sometimes, private benefit can occur if charitable resources go towards an exclusive group or individual, rather than the community or the charity's beneficiaries. Failure to properly manage private benefit can be considered serious wrongdoing and risk the loss of charitable status.

Private benefits are usually received by those with a personal connection to the charity, such as officers, staff, suppliers, or their close connections. The benefits may include gifts or loans of money, goods or services, or other benefits not available to someone outside of the charity.

Managing private benefits:

Not every payment or benefit counts as "private benefit". For example, it's usually fine to pay someone a market salary for their employment, or in exchange for goods or services. This is acceptable if:

- ▶ the payments or benefits are reasonable considering the circumstances.
- ▶ the transaction is below or at market rates, or at 'arms-length' terms (e.g. the same terms as someone not associated with the charity).
- ▶ decisions about the benefits are made independently (and not made or influenced by someone that will benefit from the decision).
- ▶ the benefit or transaction is in the best interests of the charity.

When we come across unintentional cases of private benefit we provide the charity with education and resources to ensure it doesn't happen again. However, in many cases the private benefit has been intentional. These issues are addressed in accordance with our compliance approach.

What you can do to prevent private benefit:

There are many ways that you can avoid actual, and the appearance of, private benefit to ensure your charity's resources and reputation are protected.

You should consider:

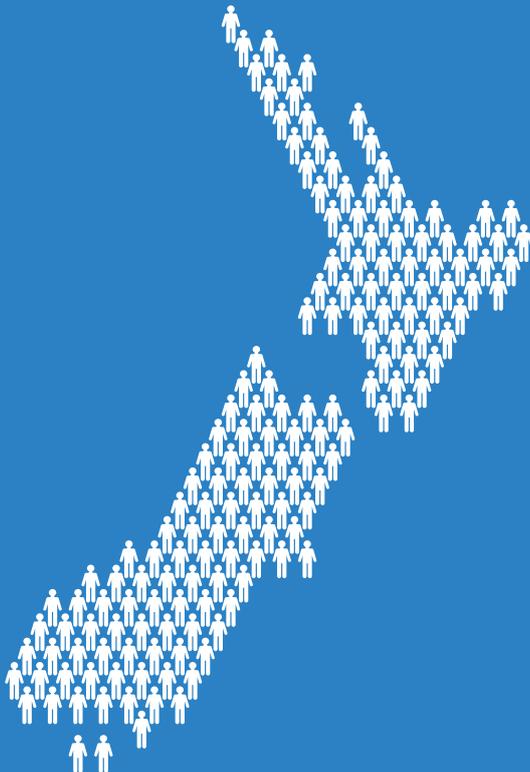
- ▶ checking your charity has policies and procedures in place to manage finances (such as dual authorisation for payments, thorough income and expenditure recording, and detailed employment contracts).
- ▶ making sure your charity appropriately records decisions about payments or services, including meeting minutes or any other documents relating to those decisions.
- ▶ checking your charity has a conflict-of-interest register. Review it regularly and keep good records to show sufficient management of any conflicts that arise.
- ▶ ensuring there are enough officers involved in making decisions (such as remuneration agreements, service or supply contracts, or employment) to be certain there is an appropriate level of independence.
- ▶ being transparent in your charity's end of year reporting. The accounting standards for charities detail the requirements for the disclosure of related party transactions and there is information available on our website to assist you with this.
- ▶ if you are unsure about the appropriateness of a transaction or benefit, you may wish to seek independent legal advice or contact Charities Services.

Ngā tatauranga o te tau o te rāngai

The sector's year in numbers



** Registered charities that are affiliated or closely related, and have similar charitable purposes, can apply to register as a group under the Charities Act 2005.*



More than **170,000 volunteers** contribute approximately **1.6 million hours every week**

More than **138,000 people** work full time in the charitable sector. This is equal to approximately **5% of the New Zealand workforce**

1,472 REGISTRATION DECISIONS

1,477 Applications received

1,270 Applications approved

202 Applications withdrawn

0 Applications declined

969 CHARITIES DEREGISTERED

342 Failed to file annual returns

627 Voluntarily deregistered

0 deregistered for serious wrong-doing

\$81.18 b

Total assets

\$34.23 b

Tier 1

\$26.73 b

Tier 2

\$17.33 b

Tier 3

\$2.89 b

Tier 4

\$22.70 b

Total expenditure

\$12.13 b

Tier 1

\$7.10 b

Tier 2

\$3.11 b

Tier 3

\$360 m

Tier 4

\$24.86 b

Total income

\$12.65 b

Tier 1

\$7.81 b

Tier 2

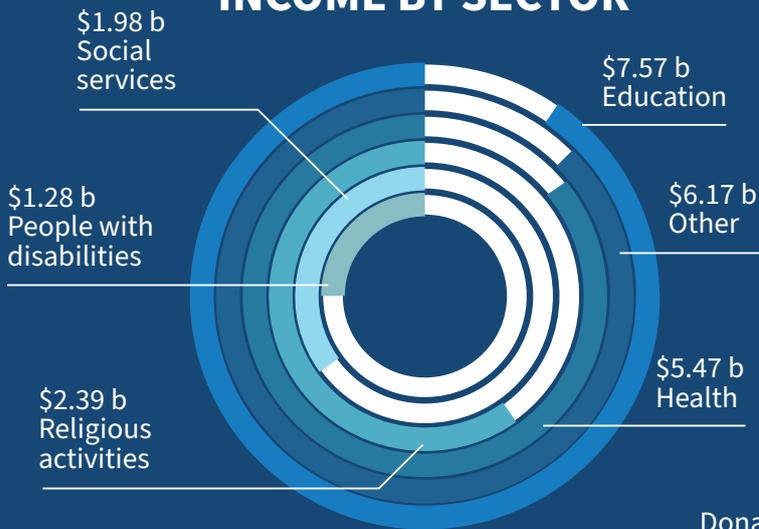
\$3.83 b

Tier 3

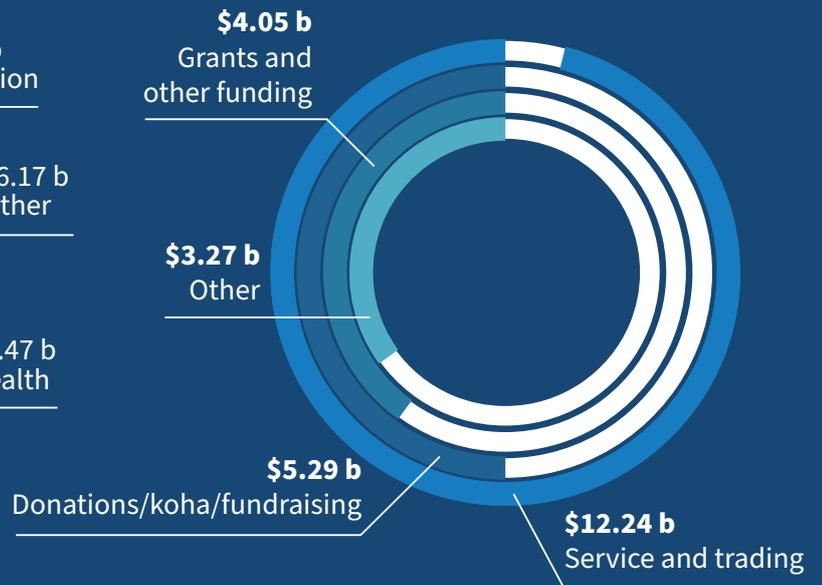
\$560 m

Tier 4

INCOME BY SECTOR



INCOME BY SOURCE



Of the **1,502** registered charities that reported overseas activities, the top five areas of operation are:



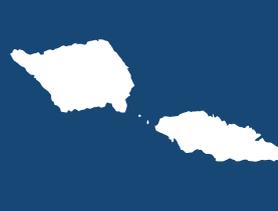
Australia
32%



Fiji
27%



India
22%



Samoa
22%



Tonga
21%

Ngā whakatutukinga o te rāngai

The sector's performance

The charitable sector is large and diverse. Its mahi touches on every aspect of our society including education, conservation, health services, the arts, faith-based services, whānau, hapū, and iwi bodies and much more.

Every year we collect information on volunteering as part of the annual return requirements for registered charities. This information helps to tell the story of volunteering and its impact on our nation.

Every week more than 170,000 people volunteer around 1.6 million hours of their time and talents to causes that benefit our communities. More than 138,000 people work full time in the charitable sector, comprising around 5% of Aotearoa New Zealand's workforce.

In the last financial year, there were 28,870 registered charities, 111,046 individual officers and 238 groups in Aotearoa New Zealand. Under the Act, registered charities that are affiliated and have similar charitable purposes can apply to register as a group.

Registered charities also reported holding \$81.18 billion in assets and \$24.86 billion in income.



Photo: Huha - Helping You Help Animals Trust

He whakahoutanga o ngā paerewa tuku pūrongo

Update on the reporting standards

Understanding the challenges that charities face with their annual reporting is part of being a responsive regulator. To help us identify the areas where charities need more guidance when reporting, we undertake a yearly assessment of randomly selected financial statements from charities' annual returns. This assessment involves reviewing charities' compliance rates with the reporting standards and identifying what supporting guidance charities need to help them meet the requirements.

Our latest findings shows that a good proportion of statements we assessed were compliant, with charities calculating their accounts correctly, reporting on the required categories and describing their service performance well.

There has been an increase in compliance for Tier 1 and 2 charities, while Tier 3 remains unchanged compared to last year. We have however seen a slight drop in compliance for Tier 4 charities.

This year Tier 1 and 2 charities began to adopt the new Service Performance Reporting standard. The new reporting requirement provides insight into the important mahi these charities do in their communities. Most Tier 1 and 2 charities had complied with the new accounting standard and many received clean audit opinions on their service reporting.

Compliance rates



	Tier 1 (over \$30 million annual operating expenses)	Tier 2 (under \$30 million annual expenses)	Tier 3 (under \$2 million annual expenses)	Tier 4 (under 140,000 annual operating payments)
2023	100%	100%	97%	61%
2022	96%	98%	97%	62%

Earlier this year, the External Reporting Board (XRB) published new reporting standards for Tier 3 and 4 charities. These changes are aimed at making it easier for charities to apply the standards, with the XRB putting a lot of effort into making reporting easier for small charities. We are looking forward to supporting charities in understanding the new standards, and hope they will support greater compliance, particularly as Tier 4 charities begin to adopt the new standard.

We continue to take an educative approach to support these charities to understand their obligations under the Charities Act.

Te tau kei mua

The year ahead

Over the next year our main focus is implementing the changes to the Charities Act. We will be changing aspects of the way we work, and how visible that is to you. We will also work on improved resources, support, and guidance for charities. We will continue to publish information to help guide charities through the Act changes.

Alongside this, we will continue working on a new regulatory strategy to guide our path forward towards regulatory excellence and our vision that our work contributes to a well-governed, transparent, and thriving charitable sector with strong public support.

We will also continue to support charities to get the resources and guidance they need in the ways that work best for them. Our website is a key source of information for charities and we will make improvements to make our content clearer, simpler, and easier to find.

Supporting the diverse communities who contribute to Aotearoa New Zealand's rich culture will always be important to us. We are fully committed to our responsibilities under Te Tiriti o Waitangi, and will continue to strive for improvement in how we work with Kaupapa Māori charities. We will work with charities supporting Pacific and ethnic communities in the ways that work for them. We will also support small charities with understanding and applying the new reporting standards, and endeavour to make compliance as easy as possible.

2024

- ▶ Implement changes to the Charities Act and support charities through the changes
- ▶ Develop a new regulatory strategy to guide our path forward towards regulatory excellence
- ▶ Supporting the sector to get access to resources and guidance they need, in the ways that work for them
- ▶ Commitment to supporting the diverse communities in Aotearoa New Zealand. Fulfilling our responsibilities under Te Tiriti o Waitangi and improving how we work with Kaupapa Māori charities

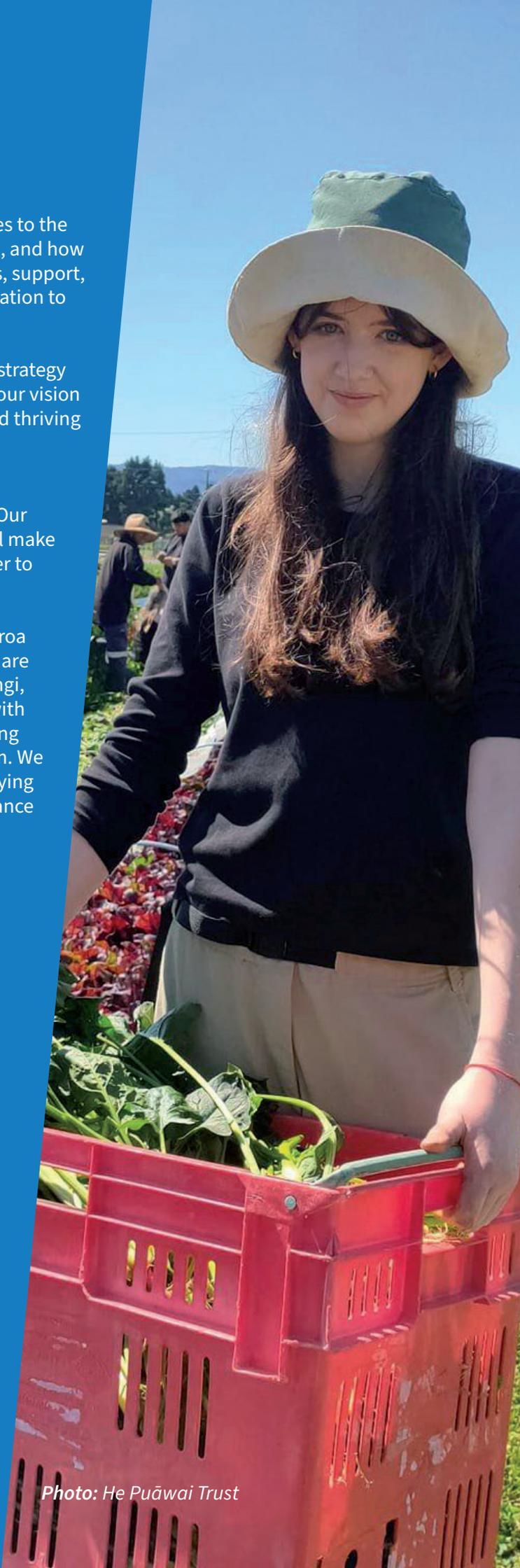


Photo: He Puāwai Trust



Ngā mihi nui ki a koutou! Thank you!

Photos left to right: Wellington Free Ambulance, Youthtown Incorporated, Student Volunteer Army, Give a Kid a Blanket Charitable Trust Board

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**CHARITIES
SERVICES**

Ngā Ratonga Kaupapa Atawhai